AUTOMODULAR CORPORATION

2001 ANNUAL REPORT

AUTOMODULAR CORPORATION

Our Business

Our business is the sequencing and sub-assembly of modules of automobile parts for installation in cars and trucks being assembled by our customers. By sequencing, we mean that the sub-assembled modules, such as an instrument panel or a radiator support, arrive at the customer's final assembly plant in precisely the sequence of their final installation in the vehicle, and at precisely the time they are to be installed.

All of our business is contract business. We bid on contracts to sub-assemble particular commodities for particular vehicles at a time prior to the launch of the vehicle design. From the moment the first vehicle rolls down the assembly line until the last one of that particular design, our company ships one of each sub-assembly we are sequencing for that vehicle to the customer for each vehicle being assembled. We receive orders every 5 seconds. We ship completed assemblies typically within 90 minutes of receiving the respective order. We are an integral part of the supply chain and fundamental to the cost efficient final assembly of vehicles.

Our success is determined by three parameters. We must deliver modules that meet the quality requirements of our customers and of its customers. We must deliver them on time, every time. And, we must deliver them at a cost that makes it more profitable for our customers to use our services than to do the same work themselves.

As a result of the foregoing, our growth comes in lumps. Our contracts are typically for 3 to 5 years. Our growth arises from new contracts.

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To Our Shareholders

Automodular Corporation ("Automodular") enjoyed a profitable year in 2001, achieving net income of $4.6 million or $0.31 per share. In the prior year, Automodular earned $3.4 million or $0.32 per share, which included net income of $1.3 million from discontinued operations.

During 2001, Automodular completed construction of a new 183,000 square foot sequencing facility in Whitby, Ontario, and in early January relocated production to the new facility from two of its Pickering, Ontario plants. Automodular will benefit from production efficiencies and freight savings arising from the new plant.

In June of 2001, Automodular completed the issue of new equity for net proceeds of $21 million. The funds eliminate Automodular's bank debt and enable it to bid on much larger sequencing projects than previously possible, paving the way for expansion of its operations. We have bid and continue to bid for new contracts, and will advise shareholders if, as and when we are awarded such contracts. In the meantime, successful execution of our existing contracts will provide several years of sales and net earnings consistent with our recent results.

Automodular plans to augment growth arising from successful bidding on new contracts through selective acquisitions of competitors.

In February 2002, Automodular's Wilmington, Delaware sequencing facility received QS9000 certification. Automodular expects all of its sequencing facilities will be QS9000 rated by year end 2002.

The directors of Automodular approved a policy of paying regular quarterly dividends, and set the initial rate at $0.28 annually. Automodular's operations are expected to generate sufficient cash flow to fund this dividend without reducing Automodular's cash resources, currently approximating $20 million.

We expect 2002 results to be similar to 2001, augmented by the benefit of any new orders we may obtain for 2002 startup.

On behalf of the Board of Directors

Michael F. Blair
President

Financial Highlights

	12 months ended December 31, 2001 (000's)	12 months ended December 31, 2000 (000's)
Sales	**$52,934**	$49,698
Earnings from operations	**6,823**	3,824
Net earnings	**4,631**	3,431
Net earnings per share	**0.31**	0.32
Total assets	**48,353**	38,351
Shareholders' equity	**38,931**	18,709

Management's Discussion and Analysis

SALES AND NET INCOME

Automodular Corporation's ("Automodular") net sales for the year ended December 31, 2001 were $52,933,898, an increase of $3,235,822 or 7% from the year ended December 31, 2000. Earnings after discontinued operations were $4,631,151 or $0.31 per share.

INTEREST EXPENSE

Interest expense of $552,185 was incurred for the current fiscal period. In the prior period, interest expense was $801,435.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided from operating activities of $4,740,899 for the current fiscal period compared to $9,877,456 in 2000.

CAPITAL EXPANSION

In the current period, the Company expended $1,897,113 on capital and other assets, compared to $1,477,328 in the prior period. Most of the capital in this period was utilized to bring into production the new 183,000 sq. ft. of manufacturing space in Whitby, Ontario.

CASH

At December 31, 2001, Automodular's net cash position (temporary investments and marketable securities less short-term bank advances) was $19.7 million compared to net cash of $4.1 million for December 31, 2000.

DIVIDENDS

Dividends paid in the current year were $6,777,342 compared with $3,177,160 in the prior period. In the current period, the Directors of Automodular approved a policy of paying regular quarterly dividends and set the initial rate at $0.28 annually. Automodular's operations are expected to generate sufficient cash flow to fund this dividend without reducing Automodular's cash resources, currently approximating $20 million.

EQUITY

Shareholders' equity increased to $38,930,974 from $18,708,717. In June 2001, Automodular's subsidiary issued new equity for net proceeds of $21 million.

OUTLOOK

The Company's balance sheet reflects management's judgment on the valuation of the assets, and management feels the Company is poised for further growth through expansion of its automotive parts sequencing operations and other opportunistic acquisitions in the automotive sector. The capital requirements for any expansion will be met initially through internally generated funds and selectively through issuance of additional shares.

FORWARD-LOOKING STATEMENTS

The Company and its representatives periodically make written and oral statements, including those contained in the Annual Report, which may pertain to the Company or the environment in which the Company operates. By their nature, forward-looking statements are subject to risks and uncertainties, which could result in actual performance or conditions being materially different from anticipated results.

Readers should not place undue reliance on these forward-looking statements when making decisions and should consider the date to which the statements were made. Except as required by applicable security law, management disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Operations Overview

AUTOMODULAR ASSEMBLIES INC. ("AAI")

Sales for the consolidated Automotive Division in 2001 were $53 million compared to $50 million in 2000. Sales for both years include U.S. operations expressed in Canadian dollars.

Earnings before depreciation and amortization, interest and taxes (EBITDA) rose to $9.1 million from $7.7 million in the previous year. The year was extremely active. In the first quarter, the automotive industry launched a substantial inventory correction and reduced production by 750,000 vehicles through plant shutdowns in most general assembly plants. AAI was impacted by these shutdowns but the negatives were offset by high demand for trucks and Chevrolet Impalas produced in Oshawa.

The consolidation project, which resulted in AAI's move into its 183,000 square foot facility in Whitby, required extensive planning and effort by operating staff. The weekend moves of low labour content commodities took place during November and December and assembly line operations were relocated over the Christmas shutdown. A total of 226 hourly and salary staff were relocated in this period.

Since last fall, actions taken by General Motors to accelerate sales with aggressive sales promotion were very successful and required overtime work most weekends in the fourth quarter. Our New Castle, Delaware plant experienced volume adjustments in the first quarter but was able to maintain stable profitable operations for the year. A major effort in Delaware during the second half of the year was the QS9000 certification program. This program was very demanding and certification was received early in 2002. The Canadian plants are scheduled to receive QS certification later this year.

AAI continues to quote business for Tier 1 suppliers to General Motors and Chrysler. Most major programs in General Motors have been delayed while senior management reevaluates the entire new product offering. There are several ongoing initiatives which we feel should ensure the ongoing profitability of Automodular.

Auditors' Report

TO THE SHAREHOLDERS OF AUTOMODULAR CORPORATION

We have audited the consolidated balance sheets of Automodular Corporation as at December 31, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

TORONTO, ONTARIO

March 12, 2002

Smith, Nixon & Co. LLP

CHARTERED ACCOUNTANTS

Consolidated Balance Sheets

as at December 31, 2001 and 2000

		2001		2000 *(Note 2)*
ASSETS				
CURRENT ASSETS				
Cash	$	19,462,922	$	4,946,019
Investments (trading value $277,209; 2000 - $1,302,075)		273,570		1,158,095
Receivables *(Note 3)*		5,203,677		5,367,392
Net assets of discontinued operations *(Note 2)*		–		2,426,175
Prepaid expenses		1,875,852		1,204,744
Income taxes receivable		64,197		–
Current portion of loans receivable *(Note 6)*		450,715		–
		27,330,933		15,102,425
LONG-TERM INVESTMENTS *(Note 4)*		417,344		328,278
LONG-TERM RECEIVABLE *(Note 5)*		–		90,689
LOANS RECEIVABLE *(Note 6)*		31,765		684,838
FUTURE INCOME TAXES *(Note 13)*		481,770		379,613
CAPITAL ASSETS *(Note 7)*		7,661,851		7,862,349
OTHER ASSETS *(Note 8)*		12,429,502		13,902,965
	$	48,353,165	$	38,351,157
LIABILITIES				
CURRENT LIABILITIES				
Bank indebtedness *(Note 9)*	$	–	$	2,000,000
Accounts payable and accrued liabilities		4,249,691		6,071,991
Income taxes payable		–		1,211,660
Property dividend payable *(Note 2)*		–		1,985,414
Current portion of long-term liabilities *(Note 10)*		3,092,800		3,499,500
		7,342,491		14,768,565
ACCRUED PENSION COST *(Note 15)*		88,700		–
LONG-TERM LIABILITIES *(Note 10)*		1,991,000		4,873,875
		9,422,191		19,642,440
Contingencies and Commitments *(Note 16)*				
SHAREHOLDERS' EQUITY				
CAPITAL STOCK *(Note 11)*		39,148,986		16,780,538
RETAINED EARNINGS (DEFICIT)		(218,012)		1,928,179
		38,930,974		18,708,717
	$	48,353,165	$	38,351,157

Signed on behalf of the Board

Michael F. Blair
Director

Alan R. Marchment
Director

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Earnings

Years ended December 31, 2001 and 2000

	2001	2000 (Note 2)
SALES	$ 52,933,898	$ 49,698,076
COST OF SALES AND OTHER EXPENSES	43,817,407	41,957,894
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING	9,116,491	7,740,182
Amortization	3,546,669	3,852,955
Interest expense	552,185	801,435
Other income *(Note 12)*	(1,805,830)	(738,179)
	2,293,024	3,916,211
EARNINGS BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	6,823,467	3,823,971
INCOME TAXES *(Note 13)*	2,192,316	1,718,692
EARNINGS FROM CONTINUING OPERATIONS	4,631,151	2,105,279
EARNINGS FROM DISCONTINUED OPERATIONS *(Note 2)*	–	1,325,688
NET EARNINGS FOR THE YEAR	$ 4,631,151	$ 3,430,967
Earnings per share from continuing operations		
Basic	$ 0.31	$ 0.20
Fully diluted	$ 0.31	$ 0.20
Earnings per share		
Basic	$ 0.31	$ 0.32
Fully diluted	$ 0.31	$ 0.32
Weighted average common shares outstanding		
Basic	14,883,312	10,605,566
Fully diluted	15,039,117	10,681,284

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Retained Earnings

Years ended December 31, 2001 and 2000

	2001	2000 (Note 2)
BALANCE – BEGINNING OF YEAR	$ 1,928,179	$ 3,659,786
Net earnings for the year	4,631,151	3,430,967
Cash dividends	(6,777,342)	(3,177,160)
Property dividend *(Note 2)*	–	(1,985,414)
BALANCE – END OF YEAR	$ (218,012)	$ 1,928,179

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

Years ended December 31, 2001 and 2000

	2001	2000 *(Note 2)*
CASH PROVIDED BY (USED IN)		
OPERATIONS		
Earnings from continuing operations	$ 4,631,151	$ 2,105,279
Items not involving current cash flows *(Note 14)*	2,847,780	4,059,905
Net change in non-cash working capital *(Note 14)*	(2,738,032)	2,898,069
	4,740,899	9,063,253
Cash provided by discontinued operations	–	814,203
	4,740,899	9,877,456
INVESTING ACTIVITIES		
Purchase of capital and other assets	(1,897,113)	(1,477,328)
Proceeds on disposal of capital and other assets	52,710	–
Proceeds on disposal of long-term investments	1,782,147	148,874
Repayment on long-term receivable	107,696	16,044
Reduction in loans receivable	202,358	2,165
	247,798	(1,310,245)
FINANCING ACTIVITIES		
Issue of common shares	992,800	–
Issue of Class X shares by a subsidiary *(Note 11(e))*	20,847,948	–
Proceeds from operating credit facility	–	2,000,000
Repayment of bank indebtedness	(2,000,000)	(2,154,034)
Proceeds from term credit facility	–	5,293,050
Repayment of long-term liabilities	(3,535,200)	(5,736,667)
Cash dividends paid	(6,777,342)	(3,177,160)
	9,528,206	(3,774,811)
CHANGE IN CASH	14,516,903	4,792,400
CASH – BEGINNING OF YEAR	4,946,019	153,619
CASH – END OF YEAR	$ 19,462,922	$ 4,946,019

The accompanying notes are an integral part of these consolidated financial statements.

Years ended December 31, 2001 and 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

These consolidated financial statements include the accounts of Automodular Corporation and its subsidiaries (the "Company").

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments and Risk Management

The carrying value of cash, short-term investments, receivables, bank indebtedness, accounts payable and accrued liabilities and income taxes payable are considered to be representative of their respective values due to their short-term nature.

The fair value of long-term financial instruments approximate carrying values since actual rates approximate market rates.

Investments

Short-term investments are recorded as current assets and are carried at the lower of cost or trading value.

Long-term investments in which the Company has significant influence but not control, are accounted for by the equity method. Other long-term investments are carried at cost less any write-downs for impairments that are other than temporary.

Capital Assets

Capital assets are stated at cost and are amortized on the diminishing balance method at annual rates ranging from 5% to 40%. Certain leasehold improvements are amortized on a straight-line basis over the remaining term of the lease or over a 5 year term. Open projects are assets not currently available for use. They will be reclassified to their appropriate classification upon project completion.

Other Assets

Goodwill represents the excess of the purchase price over the fair values assigned to identifiable net assets acquired and is amortized on a straight-line basis over a period not exceeding 30 years. The carrying value of goodwill is evaluated in each reporting period to determine if there were events or circumstances which would indicate a possible inability to recover the carrying amount. Any permanent impairment in the carrying value of goodwill is expensed in the period in which the assessment is made.

In September 2001, the Canadian Institute of Chartered Accountants issued new recommendations on accounting for business combinations and goodwill. The new standards require that goodwill no longer be amortized but instead be tested for impairment at least annually. The standards also specify criteria that intangible assets must meet to be recognized and reported apart from goodwill. Upon full adoption of the standards beginning January 1, 2002, the Company will discontinue amortization of all existing goodwill, evaluate existing intangible assets and make any necessary reclassifications in order to conform with the new criteria for recognition of intangible assets apart from goodwill and test for impairment in accordance with the new standards.

Acquisition costs are capitalized and amortized on a straight-line basis over 5 years.

Costs incurred in establishing new production lines and facilities which require substantial time to reach commercial production capability are capitalized as deferred preproduction costs. Amortization is provided over periods of up to five years, commencing with the date commercial production is achieved.

Pension Plans

The Company has both defined contribution and defined benefit pension plans. The costs of defined contribution pension plans, representing the Company's required contribution, and the costs of defined benefit pension plans, determined based on the actuarial present value of future expected benefits attributed to the period, are charged to earnings in the period. Adjustments arising from plan amendments, experience gains and losses and changes in actuarial assumptions are amortized to earnings over the expected average remaining service lives of the respective employees.

Foreign Exchange

Monetary assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Other assets and liabilities and revenue and expense transactions are translated at the actual rates of exchange in effect at the time of the transaction. Exchange gains and losses are included in income except for currency translation adjustments relative to long-term monetary items with a fixed and ascertainable life which are deferred and amortized on a straight-line basis over the life of the item.

Adoption of New Accounting Standard for Income Taxes

During 2000, the Company adopted the new Canadian Institute of Chartered Accountants recommendations for future income taxes. Under the new accounting policy, applied retroactively, future income taxes reflect the tax effect of differences between the book and tax bases of assets and liabilities. Temporary differences relate primarily to capital assets and unused tax losses. Previously, deferred income taxes reflected the tax effect of revenue and expense items reported for accounting purposes in periods different than for tax purposes. The Company elected not to restate prior years' financial statements as it determined that the adoption of this standard does not have a material impact on the Company's financial position or results of operations in the current or preceding years.

Years ended December 31, 2001 and 2000

Adoption of New Accounting Standard for Earnings per Share
During 2001, the Company adopted the new Canadian Institute of Chartered Accountants recommendations for the calculation of earnings per share. Under the new accounting policy, applied retroactively, the calculation of diluted earnings per share requires the use of the treasury method and assumes any option or warrant proceeds would be used to purchase common shares at the average market price during the period. This change increased prior year diluted earnings per share by $0.01.

2. DISCONTINUED OPERATIONS

Food Wholesaling and Processing Operations ("Dominion Citrus")

On July 27, 2000 the Board of Directors approved a reorganization of the Company whereby its food wholesaling and processing operations conducted by Dominion Citrus Limited would be separated from the Company. Consequently, the Company's results reflect its interest in Dominion Citrus as a discontinued operation.

On December 22, 2000, the Company declared a property dividend to distribute 81.8% of its interest in Dominion Citrus to the Company's shareholders. For each common share of the Company held, a shareholder received 1.25 common shares of Dominion Citrus. This transaction has been recorded as a distribution to shareholders at the pro-rata carrying value of the Company's interest in Dominion Citrus. The amount of the dividend was $1,985,414 and was paid on January 15, 2001. The Company's remaining interest in Dominion Citrus is carried as a long-term investment.

The results of the discontinued operations are summarized as follows: (in thousands)

	2000
Sales	$ 102,061
Cost of sales and other expenses	(99,439)
Amortization	(741)
Other income	381
Income taxes	(936)
Net income	$ 1,326

The assets and liabilities of the discontinued operation are summarized as follows: (in thousands)

	2000
Assets	
Current assets	$ 12,791
Capital and other assets	5,204
Total assets	17,995
Liabilities	
Current liabilities	12,722
Long-term liabilities	2,847
Total liabilities	15,569
Net assets	$ 2,426

3. RECEIVABLES

	2001	2000
Trade	$ 4,885,207	$ 5,213,847
Other	318,470	136,538
Current portion of long-term receivable *(Note 5)*	–	17,007
	$ 5,203,677	$ 5,367,392

The Company, in the normal course of business, is exposed to credit risk from its customers, all of whom are in the automotive industry. These accounts receivable are subject to normal industry credit risks. As at December 31, 2001, 91% (2000 – 93%) of trade receivables were due from General Motors Corporation.

The Company has long-term contracts with General Motors Corporation. Substantially all of its sales are made to General Motors Corporation.

4. LONG-TERM INVESTMENTS

	2001	2000
Accounted for on the cost basis		
South Side Plaza LP – 2% ownership interest	$ 199,458	$ 199,458
Dominion Citrus Limited – 9% ownership interest	217,886	–
	417,344	199,458
Accounted for on the equity basis		
Westbrook Capital Corporation –		
200 common shares, representing a 50% interest	349,000	349,000
Share of losses to date	(349,000)	(221,180)
8% note receivable	–	1,000
	–	128,820
	$ 417,344	$ 328,278

Years ended December 31, 2001 and 2000

5. LONG-TERM RECEIVABLE

	2001	2000
6% promissory note receivable from a director to assist in the purchase of a dwelling, repayable in monthly instalments of $1,904, including principal and interest, due November 28, 2002, secured by a mortgage on the property. The note was repaid during the year.	$ –	$ 107,696
Deduct: Current portion	–	17,007
	$ –	$ 90,689

6. LOANS RECEIVABLE

The Company has made interest-bearing and interest-free loans to an officer and senior employees in connection with the employee stock purchase plan. All stock purchase loans must be repaid within ten years of inception or earlier at the option of the Company upon the termination, retirement or death of a plan member.

	2001	2000
Interest-free loans to senior employees, repayable from dividends in respect of the shares. The loans are secured by 7,958 common shares of the Company (2000 – 7,958) having a trading value at December 31, 2001 of $31,036 (2000 – $28,251).	$ 31,765	$ 34,838
Interest-bearing loan to an officer with interest equal to the dividends paid in respect of the shares amounting to $28,000 (2000 – $30,000). This loan is secured by 100,000 common shares of the Company having a trading value of $390,000 (2000 – $355,000). The Company maintains a life insurance policy totalling $300,000 as additional security.	450,715	650,000
	482,480	684,838
Deduct: Current portion	450,715	–
	$ 31,765	$ 684,838

During 2001, $202,358 (2000 – $2,165) was repaid on the loans.

7. CAPITAL ASSETS

	2001			2000
	Cost	Accumulated Amortization	Net	Net
Land, buildings and leasehold improvements	$ 5,296,444	$ 2,025,283	$ 3,271,161	$ 3,771,723
Manufacturing equipment	5,179,672	3,285,557	1,894,115	2,912,584
Other equipment and furniture	2,391,681	1,351,584	1,040,097	1,178,042
Open projects	1,456,478	–	1,456,478	–
	$ 14,324,275	$ 6,662,424	$ 7,661,851	$ 7,862,349

8. OTHER ASSETS

	2001			2000
	Cost	Accumulated Amortization	Net	Net
Goodwill	$ 23,474,542	$ 14,060,353	$ 9,414,189	$ 9,796,673
Acquisition costs	266,147	217,352	48,795	102,024
Deferred preproduction costs	6,399,386	3,674,938	2,724,448	4,004,268
Exchange losses on translation of long-term debt	268,950	26,880	242,070	–
	$ 30,409,025	$ 17,979,523	$ 12,429,502	$ 13,902,965

9. BANK INDEBTEDNESS

The Company's revolving bank loan with a limit of $2,000,000 is secured by the Company's present and future assets, properties and undertakings. Interest is calculated at the bank's prime rate of interest plus ¾%. The effective interest rate at December 31, 2001 was 4.75% (2000 – 8.25%).

10. LONG-TERM LIABILITIES

	2001	2000
Non-revolving term credit facility, repayable in quarterly principal instalments of $500,000, with a final payment of $1,500,000 on March 31, 2002, bearing interest at the bank's prime rate of interest plus ¾%. The effective interest rate at December 31, 2001 was 4.75% (2000 – 8.25%). The credit facility is secured by the Company's present and future assets, properties and undertakings.	$ 1,500,000	$ 3,500,000
US$ non-revolving term credit facility, repayable in quarterly principal instalments of $398,200 (US$ 250,000) with a final principal payment of $1,592,800 (US$ 1,000,000) due on June 30, 2003, bearing interest at LIBOR plus 1.75% The interest rate at December 31, 2001 was 3.98% (2000 – 7.747%). The credit facility is secured by the Company's present and future assets, properties and undertakings.	3,583,800	4,873,375
	5,083,800	8,373,375
Deduct: Current portion	3,092,800	3,499,500
	$ 1,991,000	$ 4,873,875

Years ended December 31, 2001 and 2000

The principal repayments of long-term liabilities to maturity are as follows:

2002	$ 3,092,800
2003	1,991,000
	$ 5,083,800

Interest expense on long-term liabilities amounted to $494,537 (2000 – $680,453).

11. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares.

(b) Issued – Common Shares

	Number of Shares	Amount
Balance – December 31, 1999 and 2000	10,605,566	$ 16,780,538
Share options exercised	392,000	992,800
Share exchange *(Note 11(c))*	698,667	–
Balance – December 31, 2001	11,696,233	$ 17,773,338

Class X shares issued by a subsidiary

	Number of Shares	Amount
Balance – December 31, 1999 and 2000	–	$ –
Issued during year *(Note 11(e))*	1,504,365	21,375,648
Balance – December 31, 2001	1,504,365	$ 21,375,648
Total		$ 39,148,986

(c) Share Exchange

During the year, the Company acquired the remaining 13% interest in its subsidiary from related parties in exchange for the issuance of 698,667 common shares of the Company. The transaction was recorded at the carrying value of the investment.

(d) Warrants

As at December 31, 2001, 100,000 warrants, exercisable by December 31, 2003 at a price of $6.00, were outstanding which entitle the holder to purchase one common share of the Company.

(e) Class X shares

During the year, a subsidiary of the Company issued 1,504,365 Class X shares, for gross proceeds of $22,400,000 which are exchangeable into 7,000,000 common shares of the Company. Costs of $1,552,052 associated with the share issue and a future tax benefit of $527,700 were netted against the gross proceeds of $22,400,000. The shares participate in the earnings and dividends of the Company as though they were common shares of the Company and accordingly are included in the calculation of weighted average common shares outstanding.

(f) Options

Under the Company's stock purchase plan, the board of directors is entitled to grant to designated directors, officers and employees of the Company or any subsidiary thereof, the right to purchase unissued common shares of the Company. The options are granted at a price not less than the fair value of the shares on the date of the grant. All options granted prior to December 31, 2000 vested immediately upon the grant date.

During the 2001 year, all options granted vest evenly over a period of five years except for 50,000 options granted which vest evenly over three years. 20,000 options expired during the year.

As at December 31, 2001, options were outstanding to certain directors, officers and employees for the purchase of common shares as follows:

Date of Grant	Number	Exercise Price	Expiry Date
July 22, 1998	83,000	$3.40	July 22, 2003
January 27, 1999	135,000	$3.50	January 27, 2004
October 26, 1999	255,000	$4.50	October 26, 2004
November 2, 2001	140,000	$3.85	November 2, 2006
November 22, 2001	156,000	$4.20	November 22, 2006
	769,000		

12. OTHER INCOME

	2001	2000
Interest, dividends and other	$ 372,730	$ 1,064,102
Gain on disposal of long-term investments	1,559,272	–
Write-down of long-term investments	–	(150,000)
Gain on disposal of current investments	2,648	9,630
Share of loss in equity investment	(128,820)	(185,553)
	$ 1,805,830	$ 738,179

Years ended December 31, 2001 and 2000

13. INCOME TAXES

(a) The future income tax asset is comprised of the following temporary differences:

	2001	2000
Capital and other assets	$ (356,783)	$ (1,046,145)
Reserves and other temporary differences	610,580	30,794
Income tax losses	227,973	1,394,964
	$ 481,770	$ 379,613

(b) The Company has capital losses of $10,200,000 for income tax purposes which may be carried forward indefinitely to reduce future taxable capital gains. The potential benefit of these capital losses has not been recognized in these financial statements.

(c) The major factors that cause variations from the Company's combined federal and provincial statutory Canadian income tax rates of 42.12% (2000 – 44.62%) were the following:

	2001	2000
Earnings before income taxes and discontinued operations	$ 6,823,467	$ 3,823,971
Expected income tax expense at statutory rates	$ 2,874,044	$ 1,706,256
Increase (decrease) resulting from:		
Non-deductible/non-taxable items	431,898	395,427
Tax rate differential on US operations	(91,874)	63,742
Manufacturing and processing deduction	(369,278)	(402,043)
Non-taxable portion of capital gains	(2,281,652)	–
Taxes resulting from Dominion Citrus reorganization	3,878,811	–
Capital losses previously unrecognized	(2,281,651)	–
Other	32,018	(44,690)
	$ 2,192,316	$ 1,718,692

(d) Provision

The details of the income tax provision are as follows:

	2001	2000
Current provision	$ 1,867,677	$ 1,866,315
Future provision	324,639	(147,623)
	$ 2,192,316	$ 1,718,692

14. CASH FLOW INFORMATION

(a) Items not involving current cash flows

	2001	2000
Amortization	$ 3,546,669	$ 3,852,955
Loss on disposal of capital assets	213,765	–
Future income taxes	425,543	(147,623)
Gain on disposal of long-term investments	(1,559,272)	–
Write-down of long-term investments	–	150,000
Foreign exchange	3,555	19,020
Share of loss in equity investment	128,820	185,553
Accrued pension cost	88,700	–
	$ 2,847,780	$ 4,059,905

(b) Net change in non-cash working capital

	2001	2000
Investments	$ 884,525	$ 2,644,833
Receivables	146,708	(815,142)
Prepaid expenses	(671,108)	(586,507)
Accounts payable and accrued liabilities	(1,822,300)	500,331
Income taxes	(1,275,857)	1,154,554
	$ (2,738,032)	$ 2,898,069

(c) Supplemental information

	2001	2000
Interest paid	$ 624,527	$ 726,854
Income taxes paid	$ 3,143,534	$ 711,761

Years ended December 31, 2001 and 2000

15. PENSION PLANS

The Company has defined contribution plans in place for the employees of its subsidiaries. Contributions to these plans are based on specified percentages of salaries. During the year, the Company also initiated a defined benefit pension plan for the Company's president. The pension benefit for this plan is based on earnings and years of service.

	2001	2000
Total pension expense is comprised as follows:		
Defined benefit plan		
Service costs (benefits earned during the year)	$ 29,000	$ –
Interest costs on accrued benefit obligation	23,900	–
Amortization of transitional obligation	35,800	–
	88,700	–
Defined contribution plans	451,395	460,048
	$ 540,095	$ 460,048

	2001	2000
Accrued benefit obligation is comprised as follows:		
Obligation at initiation of plan	$ 679,800	$ –
Service costs (benefits earned during the year)	29,000	–
Interest costs on accrued benefit obligation	23,900	–
Actuarial loss on accrued benefit obligation	22,000	–
Accumulated benefit obligation at the end of the year	754,700	–
Unrealized transitional obligation	(644,000)	–
Unrealized actuarial loss on accrued benefit obligation	(22,000)	–
Accrued pension cost	$ 88,700	$ –

An actuarial valuation was performed in November, 2001. The significant actuarial assumptions used for the valuation of the Corporation's accrued benefit and pension expense for the year are as follows: Discount rate – 6.5%, an assumed rate of salary escalation of 4% and an estimated remaining service lifetime of 9 years.

16. CONTINGENCIES AND COMMITMENTS

(a) Operating Leases

The future minimum lease commitments under operating leases are:

2002	$ 3,864,837
2003	3,153,924
2004	1,287,694
2005	1,127,444
2006	1,072,159
Thereafter	5,914,500
	$ 16,420,558

(b) General

In the ordinary course of business activities, the Company is a plaintiff and has been named as defendant in certain litigation and other claims. Management believes that the resolution of such litigation and claims will not have a material adverse effect on the consolidated position of the Company.

17. SEGMENTED INFORMATION

Geographic Information

	2001		2000	
	Sales	Capital Assets and Goodwill	Sales	Capital Assets and Goodwill
Canada	$ 37,414,835	$ 15,092,741	$ 35,677,446	$ 15,214,861
United States	15,519,063	1,983,299	14,020,630	2,444,161
	$ 52,933,898	$ 17,076,040	$ 49,698,076	$ 17,659,022

Investor Information

Years ended December 31, 2001 and 2000

COMPARATIVE DATA

	Dec. 31 2001	Dec. 31 2000	Dec. 31 1999	Dec. 31 1998	Dec. 31 1997
Operations ($000's)					
Sales	52,934	49,698	39,604	61,081	22,287
Earnings from continuing operations	4,631	2,105	5,019	(11,984)	678
Net earnings	4,631	3,431	5,711	(10,188)	2,460
Cash flow from operations	4,741	9,063	3,202	(708)	5,328
Financial ($000's)					
Total assets	48,353	38,351	37,021	32,022	42,786
Long-term debt	1,991	4,874	3,500	10,096	11,499
Retained earnings (deficit) (end of year)	(218)	1,928	3,660	(7,885)	3,290
Shareholders' equity	38,931	18,709	20,440	15,394	23,997
Return on average shareholders' equity (%)	16.1	17.5	31.9	–	14.0
Per share ($)					
Earnings before discontinued operations	0.31	0.20	0.50	(1.25)	0.09
Net earnings	0.31	0.32	0.57	(1.06)	0.33
Weighted average number of shares outstanding (000's)	14,883	10,606	10,009	9,619	7,364

QUARTERLY DATA

	2001				2000			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Sales ($000's)	14,022	12,461	13,220	13,231	14,154	12,488	11,523	11,533
Depreciation and amortization	836	910	911	890	911	906	1,066	970
Earnings from continuing operations	1,281	1,529	736	1,085	395	865	184	661
Net earnings	1,281	1,529	736	1,085	661	1,319	508	943

COMMON SHARE PRICES

Calendar year	The Toronto Stock Exchange		
	High $	Low $	Volume (000's)
2001			
Fourth Quarter	4.35	3.10	624
Third Quarter	4.45	3.50	370
Second Quarter	4.95	3.00	462
First Quarter	4.00	2.90	36
2000			
Fourth Quarter	4.25	3.25	181
Third Quarter	4.35	3.40	133
Second Quarter	4.25	3.50	49
First Quarter	5.00	3.50	78

DIVIDENDS

The Board of Directors has approved a dividend policy whereby the Corporation pays regular quarterly dividends at a rate of $0.07 per common share. The quarterly rate of dividends will be reviewed annually.

INVESTOR RELATIONS

Institutional investors, brokers, security analysts and others desiring financial information about Automodular should contact:

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Corporate Information

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Vice President, Business Development
The Katz Group

Garth Davis
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Henry Knowles
Counsel
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Alan Marchment
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Wiltshire Group Limited

R. Peter McLaughlin
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James Rodgers
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Cames Consulting Inc.

Rae Wallin
President
N-Viro Systems Canada Inc.

OFFICERS

Winston Ash
Vice-President Finance & Secretary

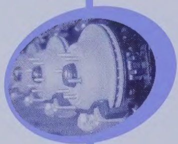
Michael Blair
President

Diane Erlingher
Assistant Secretary

Annual Meeting

The Annual Meeting of Shareholders will be held in the Windsor Room of The Sheraton Centre 123 Queen Street West, Toronto, Ontario on Thursday, May 30, 2002 at 10:00 a.m.

All shareholders are encouraged to attend.



AUTOMODULAR CORPORATION

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